



*United States Attorney
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COURT APPOINTS RECEIVER FOR BAYOU HEDGE FUND
FRAUD/FORFEITURE ACTIONS

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced that Kroll Inc. was appointed as receiver, last Friday, by United States District Judge COLLEEN McMAHON, to assist the United States Marshals Service ("USMS") in effecting the liquidation of property forfeited by SAMUEL ISRAEL III and DANIEL E. MARINO in connection with the criminal cases against them as a result of the collapse of the Bayou hedge funds last summer.

On September 29, 2005, the United States filed Informations charging the men with defrauding Bayou investors of more than \$450 million. The same day, each of the defendants pleaded guilty. According to the Informations, from in or about July 1996 through in or about August 2005, ISRAEL, Bayou's Chief Executive Officer and Chief Investment Officer, and MARINO, the Chief Financial Officer and Chief Operating Officer, conspired to fraudulently induce investors to contribute in excess of \$450 million to the Bayou hedge funds. The funds collapsed in August 2005 after MARINO and ISRAEL attempted to recoup the mounting losses by investing Bayou funds in private placement transactions, in the United States and abroad, which turned out to be frauds.

The Informations filed against ISRAEL and MARINO seek forfeiture to the United States of the defendants' interest in all property that constitutes or is derived from proceeds traceable to the commission of the fraud. The Informations seek a money judgment to be imposed jointly and severally against the defendants in the amount of \$450 million, as well as specific property alleged to be proceeds of the fraud or property traceable thereto. The property includes interests of the defendants in entities and/or partnerships, the assets they hold, and bank accounts.

Based upon the defendant's guilty pleas, on October 19, 2005, the Court entered Preliminary Orders of Forfeiture, final as to the defendants. These Orders, among other things, authorized the USMS to take possession of certain forfeited property.

According to the Government's application, because the forfeited property includes entities and/or partnerships and the various assets they may hold, including investments in a number of private placements, the Government sought the appointment of a receiver to assist the USMS in managing and liquidating these assets to expeditiously and effectively maximize their potential value. According to the application filed by the United States seeking the appointment of a receiver, after the property is forfeited, it is the intention of the United States Attorney's Office to request that it be distributed *pro rata* to victims of the fraud in accordance with the federal asset forfeiture laws.

According to the application, after considering a number of qualified candidates for the receivership, the United States Attorneys Office and the USMS recommended Kroll Inc. as the most qualified and cost-effective option. JAMES P. SHINEHOUSE, Global Practice Leader of Kroll's Financial Advisory Services group, who has over 15 years of experience in complex corporate restructurings and workouts for clients in receivership or administration, will be principally responsible for the assignment.

Assistant United States Attorneys MARGERY B. FEINZIG, PERRY A. CARBONE, BARBARA A. WARD and SHARON COHEN LEVIN are in charge of the criminal prosecutions.

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